

Tax Matters

connecting and informing
employees



OFFICE OF INCOME TAXATION
COMMUNICATIONS & TRAINING BRANCH

Fall 2012

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Kentucky
UNBRIDLED SPIRIT™

Payroll Tax Cut Set to Expire

As we told you during our 2011 Income Tax Update School, the Social Security payroll tax cut that Kentucky state employees (along with most taxpayers) have enjoyed the past two years is set to expire on Dec. 31, 2012. Lawmakers and the President appear to be in agreement with letting the payroll tax cut expire and focusing on extending other income tax cuts. What will this mean for your paycheck?

The payroll tax

In 2011, lawmakers reached an agreement to reduce the amount employees paid into social security tax from 6.2 percent to 4.2 percent for all wages earned up to \$106,800. This means that a state employee earning \$100,000, had \$2,000 (2 percent*\$100,000) in additional annual income in 2011 and 2012 as compared to 2010. Being paid twice a month, this amount would have worked out to \$83 more per paycheck.



It's obvious that this tax cut is not an obscure break that only impacts a small portion of the population. Nearly 122 million taxpayers have benefited from the additional tax savings, a savings which did not impact the taxpayer's annual individual income tax filing in any way. For this reason, the Payroll Tax Cut was extremely popular.

What will happen next year?

The employee contribution of Social Security tax is set to return back to its previous levels, meaning an increase from 4.2 percent to 6.2 percent in 2013. As we get closer to the end of 2012, it appears that the expiration of the Payroll Tax Cut is very likely. Congress and the White House are focusing their efforts on the ordinary income, dividend and capital gains tax cuts. These tax cuts are also set to rise starting in 2013 and have a potentially greater impact. However, this is an election year and there is no way to know with certainty if the tax cut will indeed expire.

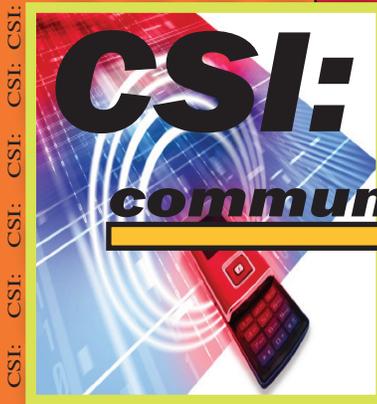
The silver lining here is that while Americans will have more taxes taken out of their paychecks, those funds will be going into the dwindling Social Security trust fund. This is important because the Social Security trust fund is scheduled to become insufficient by 2033 or in roughly 20 years. This means that workers under the age of 42 aren't expected to receive the full Social Security benefits due to them. Rather, they will be lucky if they get 75 percent of their benefits.

What does this mean for me?

The average family earning \$50,000 will have around \$42 less in their paychecks starting in 2013. This means many taxpayers will need to re-evaluate their annual budget as they likely allocated more money towards gas, groceries, and other areas when this payroll tax cut went into effect in 2011. Due to the widespread nature of the Payroll Tax Cut, many Department of Revenue employees will likely want to make their friends and family aware of this potential change.



Cumberland Falls, Corbin, KY



communicating significant information

How to Prepare your Fall Home for Winter's Return

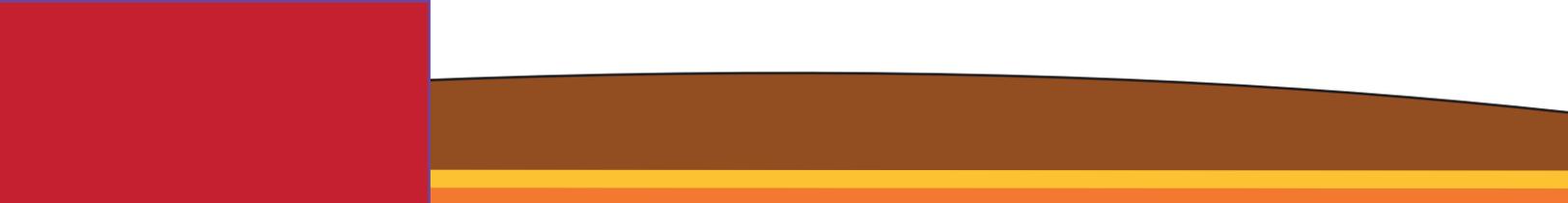


Since the warmer temperatures are just beginning to taper off, winter will be officially here in a few months. With colder temperatures also comes rising energy bills, drafty doors and windows, and heating our homes becomes priority. Have you thought about what you can do now to save money and energy in a few months? You can use these helpful tips to get a jump start on winterizing your home, so you can spend time in front of the fireplace as opposed to in a cold home.

Assess your home now for energy leaks: Now is the best time to determine where energy leaks are occurring. If air is seeping from underneath your doors or around your windows, replace the weather stripping and caulk around all penetrations. Under your exterior doors, ensure the door sweeps are sealing properly. Consider having your electric company perform an energy audit of your home. You may be losing heat through loose baseboards, poor insulation in your attic, or through poorly sealed heating ducts throughout your home. An energy audit will help you locate the energy-sucking culprits!

Have your furnace/fireplace checked: The main source of heat in your home should be in good working condition and checked by a professional. Your furnace should have the ducts, heating elements and filters changed regularly. Take the time now to clean out your fireplace of old soot and ashes, and hire a chimney sweeper to clean out the chimney and consider inspecting the roof and around the chimney for flashing damage so there will be no surprise leaks from rain or snow through the chimney! Also make sure wire netting is in place at the tip of the chimney so debris, rodent, and birds don't enter into your fireplace. If you have an outdoor fireplace, make sure it is cleaned and maintained each season as well.

Walk around the exterior of your home: The exterior of your home tends to be forgotten in the wintertime. Now is the time to inspect it. Inspect gutters and downspouts to ensure they are clean and rid of leaves. Repair broken downspouts and ensure splash blocks on the ground are diverted away from the foundation. Check for broken screens and/or replace with winter glass components. Depending on how cold it gets in your climate, consider stocking up on gravel, salt, etc... and stock in your garage for icy driveways and walkways.



Repair and clean: Similarly to spring cleaning when your home has been sitting dormant all winter, fall cleanup prepares your home for the winter season as well as ensures that all components are in good working order. Repair any cracks in your foundation, pressure wash exterior brick and concrete, and get mechanical equipment serviced. If you have a snow blower or other mechanical equipment used for the winter take it to an authorized repair dealer in your area. Clean out your garage, storage shed, and areas used to house tools. Check your snow shovels, and other tools to see if they need replacing from last winter.

While you can still enjoy the autumn weather, don't get too comfortable in thinking it will stick around long. Use these helpful tips to save energy, money and keep your family safe and warm during the winter months. You wouldn't send your child to school without a jacket in a snowstorm, don't start the winter without performing maintenance on your home for the upcoming winter season. After all, you still want to be able to enjoy those warm nights in your home, right? Better get started!

“Peace cannot be kept by force; it can only be achieved by understanding.”

—Albert Einstein

Simple Fun Things To Do For Fall

- Go apple picking
- Go leaf peeping
- Get lost in a maze
- Go for a hike
- Collect colorful fall leaves
- Bake an apple or pumpkin pie
- Buy winter squash at a farmers' market
- Get spooked in a haunted house
- Give out candy to trick or treaters
- Host a potluck Thanksgiving dinner
- Throw a Halloween party
- Drink hot spiced cider
- Eat a slice of warm pumpkin pie
- Eat a candy apple
- Carve a pumpkin
- Build a bonfire
- Tour a winery
- Wear your favorite jeans
- Remember what you are thankful for
- Listen to the sound of crushing leaves under your feet
- Breathe in crisp cool air
- Attend a fall festival
- Dig out your sweaters from storage
- Celebrate Oktoberfest
- Re-watch your favorite scary movie
- Make a Halloween costume
- Watch geese flying south for the winter
- Make butternut squash soup
- Go to a football game

**“The best way
to cheer you
up is to cheer
somebody
else up.”**

—Mark Twain

DOR Offices Closed for Holidays

When planning your work and leisure time for the next few months, you may want to keep in mind the holidays observed by state government. Below is a listing of paid holidays for November, December and January.

Pursuant to KRS 18A.190, all DOR offices will be closed:

- Tuesday, Nov. 6, Presidential election;
- Monday, Nov. 12 Veteran's Day;
- Thursday and Friday, Nov. 22 and 23, Thanksgiving;
- Monday and Tuesday, Dec. 24 and 25, Christmas;
- Monday and Tuesday, Dec. 31 and Jan.1, New Year's; and
- Monday, Jan. 21, Martin Luther King's birthday.

Communications and Training Branch

A Visit to a Pumpkin Patch or Corn Maze! What's it like; what to expect!

If you haven't been to a pumpkin patch, corn maze, apple orchard or Fall Harvest festival at a farm, you don't know what you're missing.. and you may want to know what to expect, to plan appropriately!

PUMPKIN PATCHES: There are several types of pumpkin patches.

Pick in the field: This is what most people prefer - an actual field where the pumpkins grew!

The downside can be... dirt or mud if it just rained. And since the good pumpkins may go early, most farms replenish the field with pumpkins brought in from elsewhere... but the experience is the same! Kids run around looking for the perfect pumpkin out in the field!

Already harvested: Is the most common form of pumpkin patch. Pumpkins just don't grow everywhere; like south Florida, so pumpkins are brought in, either from a local farm or a distance, and laid out or piled up to choose from. Children love it either way!

Church lawns: Rather self-explanatory; some churches sponsor a pumpkin patch on their lawn to raise money! If you are just looking for a pumpkin and want to help their cause, that's a great option.

CORN MAZES! If you've never been to a corn maze, you don't know how much fun they are! There are 3 main types:

Daytime Maze: These are perfect for families and small children, and cold days! The corn is a variety that grows eight or nine feet tall in good weather and creates a thick, impenetrable maze. The farmer uses a tractor equipped with GPS to cut a pattern of paths into the field. The pattern is usually only visible from the air, but on the ground it is a great maze. They can take anywhere from 20 minutes to an hour to find your way out. Help is usually available, if needed, and there are often signs with puzzles to solve or clues to help.

Nighttime Maze: Same as a daytime maze... but at night with flashlights! A scary but fun experience. Very popular with teenagers!

Haunted Corn Maze: A nighttime haunted maze, like a haunted house is for the Stephen King fan, but definitely not for small children.

HAY RIDES: Hayrides come in several forms: tractor-pulled, horse-drawn and wagons. Any are fun, but most people prefer a horse or tractor pulled hayride to a wagon rides. Wagon rides generally don't include hay bales to sit upon.

COW TRAINS: Are small tractors, not actual cows that pull a series of one or 2 person cars, like a train without tracks! Loads of fun! The cow train is popular with all the kids. Adults like to sneak in, too!

Other farm activities include Petting Zoos with farm animals, goats, cows, pigs, chickens, horses and more. Pig races and milking a cow is a treat followed by Trike Tracks, Corn Boxes, and other kiddie fun things to do.

PICKING CROPS: Picking fall fruits and garden items is entertaining and educational for kids and adults as well. Farms in different areas offer unique crops such as South Carolina and Georgia offer a field of fluffy cotton for picking.

Get into the swing of fall pleasures before winter sets in.

This page provides a detailed list of Kentucky's pumpkin patches, corn mazes, hay rides and other Halloween farm stuff!! [Click the hyperlink below to see the listings of pumpkin patches, corn mazes and farms in Kentucky or just scroll down the page!](http://www.pumpkinpatchesandmore.org/KYpumpkins.php#listings)

<http://www.pumpkinpatchesandmore.org/KYpumpkins.php#listings>





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